

## **Committee on Budget, Finance and Administration**

### **Status**

WTO Members are responsible for working with the WTO Secretariat on the budget for the organization, and the Budget Committee has traditionally taken a “hands on” approach to the financial matters confronting the institution. Compared to other international institutions, the WTO has a relatively small budget that it manages despite the dramatic increase in activity since establishment of the WTO in 1995. The U.S. budget assessment for 2000 is 15.7 percent or about \$13 million dollars. Details on the WTO’s budget required by Section 124 of the URAA are provided in Annex II.

### **Assessment of the First Five Years of Operation**

Despite the increase in the WTO’s activities over the past five years, the U.S. assessment to the WTO has remained relatively unchanged. As the world’s largest exporter – accounting for more than \$200 billion in trade last year – the cost of WTO Membership for the United States is very small. WTO Members are assessed budget contributions according to a Member’s share in world trade. In the GATT, contributions were based on a contracting party’s share of world trade in goods. With the expansion of the WTO to include services and intellectual property rights beginning in 1996, the assessment was revised to take into account statistics as reported in balance of payments statistics from the International Monetary Fund. In the case of goods, gold held as a store of value is excluded from the statistics and in the case of services, statistics relate to the definition of commercial services as applied in the WTO. The addition of services and intellectual property rights statistics to the calculation methodology marginally increased the relative share of the budget paid by the United States, which in 1996 was 15.87 percent.

The Committee has had a difficult task during the past five years, from ensuring that the administrative and financial aspects of the move from the GATT 1947 to the WTO were accomplished in good order to transfer smoothly the Secretariat staff from the UN Common System to an independent WTO salary and pension system. The Committee’s work over the years in managing the financial and personnel growth the organization has required, all the while ensuring that the organization uses its resources wisely and efficiently, is perhaps its greatest achievement.

### **Major Issues in 1999**

Continuing the discussions begun in 1998, the Committee continued to examine the previous year’s policy of holding the WTO to a zero nominal growth budget. A constantly expanding workload, resulting from new initiatives and a dramatic increase in dispute settlement activity, combined with the need to fund “on-budget” certain spending categories which had heretofore been funded out of extraordinary surplus accounts, created a situation in which a good deal of the Committee’s work in 1999 was devoted to discussion of how to handle proposed increases in 2000 spending. Other significant issues discussed in the Committee in 1998 included: (i) implementation of the new conditions of service system for the WTO Secretariat; (ii) a review of the methodology employed in determining Members’ share of the budget; (iii) various efforts to streamline operations and reduce costs in the WTO; and (iv) distribution of the extraordinary surplus from 1998, which resulted from the United States paying its 1997 assessment in 1998.

*Agreed Budget for 2000:* After considerable debate and delays in reaching a consensus, the Committee proposed and the General Council approved a 2000 budget for the WTO Secretariat and Appellate Body of Swiss Francs 127,697,010. While this amount represents a nominal increase over the approved 1999 budget of 4.3 percent, the real increase is far lower due to the inclusion in the regular budget of certain

spending categories previously funded “off-budget.” The 2000 budget reflects the Committee’s continuing efforts to ensure that the real base of WTO activity is more apparent. In addition, a certain amount of the increase is due to the need to fund fully the new staff approved in 1999 in certain categories (such as lawyers and translators) where existing resources were inadequate to keep pace with the level of activity, especially in dispute settlement-related work. For 2000, the United States owes Swiss Francs 19,890,887 (about \$13 million). Members’ assessments are based on their share of WTO Members’ trade in goods, services and intellectual property. The current U.S. contribution accounts for 15.727 percent of the total assessments on WTO Members, a share far lower than the U.S. assessment in other international organizations. As the WTO adds new Members, the U.S. assessment will automatically be reduced. At the end of 1999, the accumulated arrears of the United States to the WTO amounted to Swiss Francs 3,205,232 (\$2,257,200).

*Establishment of WTO Secretariat:* At the October 1998 meeting of the General Council, it was agreed to proceed with the establishment of the WTO Secretariat on an independent basis separate from the United Nations Common System. As a result, from January 1, 1999, the WTO Secretariat withdrew from the UN Joint Staff Pension Fund and established the WTO Pension Plan. The funds transferred from the UN fund to the new WTO fund were considerably more than the minimum required to set up the plan on a viable basis. The new system operates exclusively in Swiss Francs, a factor which will dramatically reduce the exchange rate risk in future WTO budgets. This change and the resulting savings are already reflected in the 2000 Secretariat budget.

*Determination of Members’ Share of the Budget:* With the creation of the WTO in 1995, Members’ share of the budget was recalculated to capture their relative share of world trade in services as well as trade in goods (goods trade alone had been the basis for GATT assessment calculations). It was agreed that the operation of the methodology should be reviewed in 1998 and a working group was formed for this purpose. The working group concluded that the methodology was essentially sound and should be retained. However, at least one Member questioned the inclusion in the calculation of services trade of receipts for traffic in a major canal. The discussion also revealed least developed countries’ collective opposition to being assessed at a minimum rate (0.03 percent) – an amount which is often higher than their share of world trade. As part of the approval of the 2000 Secretariat budget, WTO Members agreed to reduce the minimum contribution for least-developed countries to 0.015 percent.

*Efforts to Reduce Costs and Improve Efficiencies:* The Committee and Secretariat continued efforts designed to keep costs down, eliminate duplicative activities and do away with inefficient operations. For example, the Secretariat has enhanced its coordination with UNCTAD, the International Trade Center and a variety of other international organizations with regard to elements of technical assistance to avoid duplication of activities. As noted above, a certain number of efficiencies and cost savings over time will also be the result of the introduction of a WTO-specific salary and pension system.

## **Work for 2000**

*Development and Agreement on a Budget for 2001:* Given new multilateral trade negotiations will be launched in 2000 and the continued growth in dispute settlement activities, it is expected that there will again be pressure put on the WTO’s resources and budget. The Committee will likely devote considerable time to the development of a budget for 2001 that considers these factors.